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## The Government's Interest in Business Efficiency

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### THE NEED OF BUSINESS EFFICIENCY

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Gentlemen, I thoroughly welcome what I take to be the fundamental purpose of this society; namely, to counteract the prevailing American mistake, the underestimation of the expert. I do not know where we got the opinion that we could do anything without learning how to do it first, unless it goes back to the Declaration of Independence. Probably it ran back to the pioneer days, when every one had to be a jack-of-all trades and expert in none. That was true of primitive civilization. It is no longer true, and if we are to maintain our position among the nations of the world we have to get away from it. Therefore I am glad to see a society organized with such a purpose.

The Government has the deepest interest in permanent business efficiency, because the currents of commerce now dominate modern civilization. For domestic progress, and for international standing, the Government desires a business machinery which shall efficiently handle these great forces, but the nation must take a broader view of efficiency than does the individual. For the nation it is not only essential that this machinery shall successfully produce, transport, and sell the necessities and luxuries of life. It is even more vital that its benefits shall be justly apportioned among the citizens according to the services they render toward the national advance.

A nation is a long-distance proposition. The generation is the smallest unit of calculation in national advance or decay. A thing may work with an individual, and for a few years, and yet be neither expedient nor efficient in national life. I therefore present a few of those underlying business factors that carry over from one generation to another.

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## EFFECTS OF CONCENTRATION OF COMMERCIAL POWER

A remarkable concentration of commercial power has taken place in the last twenty years. One of the important results has been the "integration" of industry. Twenty years ago, for example, one interest owned ore mines, another vessel fleets in the Great Lakes, another blast furnaces, another still steel works, and so on. The modern steel company, however, usually links up under one control many, if not all, of these processes, as an integrated concern. This is true, more or less, of the other staple industries.

From the economic standpoint, integration increases efficiency. It saves duplication of expense, allows much more accurate adjustment of supply to demand, improves productive processes, and the agencies of distribution. All of this is desirable from the national as well as the individual standpoint.

On the other hand, this integration has frequently been accompanied by a tendency toward monopolization, often so closely interwoven that it is difficult to separate the two. They are, however, very different in their national bearing. Integration means a greater ability to serve the public needs at a less cost. Monopolization means a greater ability to take advantage of the public needs by an arbitrary control over supply and demand, reserving to the controlling interest an arbitrary and undue share of the benefits of the industrial machinery. Ultimately the nation must segregate the evil from the good in some practical working system.

## THE CONSERVATION OF OUR NATIONAL RESOURCES

Another difficult question of public policy centers around our natural resources. The public has the deepest interest in them, for they are at the basis of our material existence. Most of them have passed into private hands. There is still left, however, a considerable part of our natural resources in the control of the Government, Federal or State. Certainly, we cannot handle them satisfactorily through the policy we have followed in the past, the indiscriminate giving away to all who ask, at nominal prices. One great rule applies to many natural resources; namely, that they can be effectively developed only in rather large units; that any attempt to distribute them in small units equally among individual citizens by transfer of title will simply result in concentration under private control, and not in just distribution of the benefits thereof.

Take the case of our standing timber. We have long been apply-

ing the "homestead theory" to standing timber—160 acres to any man who was willing to pay the nominal price for it. Working well as to agricultural lands, it failed absolutely as to timber. What can one small owner of 160 acres in a great forest section do with it? He cannot farm it until it is cleared, and it will cost him more to clear it than he can buy good land for elsewhere. He cannot log it profitably, because a small holding does not justify the necessary equipment of mills and railways. The only thing he can do is to sell it cheap to a large lumber interest. And this is exactly what has happened, resulting in enormous concentration of our timber. Obviously, the homestead theory of distribution will not work in cases like this. We must substitute some other policy as to such resources.

Thus far we have been able to avoid any final issue on the very serious questions created by our past policy. But just beyond the verge of our industrial experience, any thoughtful man can see the very difficult problem that may some time be thrust upon us here, in the conflict between private rights and public and national needs.

#### THE REAL MEANING OF NATIONAL EFFICIENCY

I have spoken thus far of the capitalistic side of our business machinery. The permanence of that machinery must depend also on the preservation of the laborer. Practically every civilized country in the world, except the United States, has a workmen's compensation system. It is based on the theory that accidents to the laborer in a given industry are a normal charge upon that industry; that compensation is not a mere individual question for litigation between the laborer and his employer, but should be met by a charge on the product of the industry itself, in exactly the same manner that breakage or obsolescence of machinery is met.

Finally, there is the broad question of business methods and their effect on the machinery of industry. The nation must view business conditions as a process of strict evolution. It is a survival of the fittest—the survival of the man best adapted to his business environment. Therefore, the responsibility lies wholly with us, the citizens, for we determine that environment. If we maintain conditions under which all the highways of commerce are equally open, under which the sole path of success lies through the service of the public, and the only way of succeeding in the competitive struggle is by giving the better article or the lower price, then we are building up an efficient business machinery, and one from which we all profit. We are bringing forward

the men who are creators and the improvers, the makers of national efficiency, both in production and apportionment of benefits.

If, on the other hand, we permit conditions which do not favor fair competition, if we allow success to be the reward for the getting of special privileges, unfair favors, illegal rebates and the maintenance of oppressive competition, we are heading toward disaster. We are throwing the control of our business forces into the hands of men who gain and hold power, not by increasing the efficiency of our business machinery, but by breaking the efficiency of others. Their success is destructive, not constructive, is wasteful, and its gains are not shared with the public. The evolution will be as inevitable as the mills of the gods. What a man soweth that shall he also surely reap; and more assuredly still, a nation. A man may make errors and commit crimes, and now and again throw the results on the next generation; but there is no escape for a nation either from its errors or its sins.

